

COMMISSIONERS
SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE



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ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

DATE: DECEMBER 23, 2015

DOCKET NO.: W-01853A-15-0145

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Belinda A. Martin. The recommendation has been filed in the form of an Order on:

PARKER LAKEVIEW ESTATES HOMEOWNERS ASSOCIATION, INC.
DBA PARKER SPRINGS WATER COMPANY
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JANUARY 4, 2016

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JANUARY 12, 2016

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

DEC 23 2015

DOCKETED BY

[Signature]

[Signature]

JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 SUSAN BITTER SMITH - Chairman
4 BOB STUMP
4 BOB BURNS
5 TOM FORESE
5 DOUG LITTLE

6 IN THE MATTER OF THE APPLICATION OF
7 PARKER LAKEVIEW ESTATES HOMEOWNERS
8 ASSOCIATION, INC. DBA PARKER SPRINGS
8 WATER COMPANY FOR APPROVAL OF A RATE
INCREASE.

DOCKET NO. W-01853A-15-0145

DECISION NO. _____

ORDER

9 Open Meeting
10 January 12, 2016
11 Phoenix, Arizona

12 **BY THE COMMISSION:**

13 Having considered the entire record herein and being fully advised in the premises, the Arizona
14 Corporation Commission ("Commission") finds, concludes, and orders that:

15 **FINDINGS OF FACT**

16 **Procedural History**

17 1. Parker Lakeview Estates Homeowners Association, Inc. d/b/a Parker Springs Water
18 Company ("Parker" or "Company") is an Arizona non-profit corporation engaged in the business of
19 providing water utility service to 36 metered customers southwest of Sierra Vista in Cochise County,
20 Arizona, pursuant to authority granted by the Commission in Decision No. 34138 (October 19, 1962).

21 2. Parker's present rates and charges were approved in Decision No. 72638 (October 14,
22 2011). This Decision also approved a loan from the Arizona Water Infrastructure Finance Authority
23 ("WIFA") for \$271,000 in order to acquire a new well site and construct a new well, and for leak
24 detection and line replacement. The Decision also directed Parker to file a rate application no later
25 than June 30, 2015, using a test year ending December 31, 2014.

26 3. On June 26, 2012, the Commission issued Decision No. 73237, authorizing a monthly
27 WIFA Loan Surcharge of \$25.84 per customer on a 5/8 x 3/4-inch meter.

28 . . .

1 4. In compliance with Decision No. 72638, Parker filed a rate application on May 7, 2015
2 (“Application”). The Company stated in its Application that Parker was not seeking an increase in
3 rates.

4 5. On May 11, 2015, the Company provided a copy of the May 6, 2014, notice Parker
5 provided to its customers advising them of the Application. The notice stated: “We do not anticipate
6 a rate increase this year, however, an adjustment could be required by the Commission based on their
7 review of the Company’s finances.”¹ The notice also stated that the rates and charges approved by the
8 Commission could be higher or lower than those stated in the Application. No comments were filed in
9 response to the notice.

10 6. On June 4, 2015, the Commission’s Utilities Division (“Staff”) filed its Sufficiency
11 Letter stating that Parker’s Application was sufficient pursuant to Arizona Administrative Code
12 (“A.A.C.”) R14-2-103, and classifying the Company as a Class E utility.

13 7. On August 3, 2015, Staff docketed its Staff Report recommending approval of Staff’s
14 recommended rates and charges.

15 8. On August 10, 2015, a Procedural Order was issued extending the time clock in the
16 matter to October 31, 2015, due to scheduling conflicts.

17 9. Parker filed its comments to the Staff Report on August 18, 2015, objecting to certain
18 Staff recommendations.

19 10. On October 1, 2015, a Procedural Order was issued directing Staff to file a reply to the
20 Company’s comments to the Staff Report by October 16, 2015. It also directed the Company to file
21 its comments, if any, to Staff’s Reply by October 30, 2015. The Procedural Order extended the time
22 clock to December 11, 2015.

23 11. Staff docketed its Reply on October 16, 2015. Parker did not file any objections.

24 12. On November 20, 2015, a Recommended Opinion and Order (“ROO”) was issued
25 adopting the rates and recommendations proposed by Staff. No exceptions were filed to the ROO.

26 13. The ROO was discussed at the Commission’s December 8, 2015, Open Meeting. At
27

28 ¹ Notice, docketed May 11, 2015.

the Open Meeting, Gail Spain, the Company's Secretary/Treasurer, provided comments objecting to Staff's recommendations.

14. The Commission pulled the matter from the Open Meeting Agenda to allow Staff to meet with the Company and discuss Parker's concerns.

15. On December 18, 2015, Staff docketed a Supplemental Staff Report revising its recommendation regarding a rate increase and withdrawing its recommendation that Parker file three Best Management Practices Tariffs.

Application

16. During the test year ended December 31, 2014, Parker served 36 customers, all on 5/8 x 3/4-inch meters. Many of the Company's customers are seasonal residents. Average and median water usages by customers during the test year were 598 gallons and 379 gallons per month, respectively.

17. The water rates and charges for Parker at present, as proposed by Parker in its Application, and as subsequently recommended by Staff in a Supplemental Staff Report, are as follows:

<u>MONTHLY USAGE CHARGE:</u>	<u>Present</u>	<u>Proposed Rates</u>	
	<u>Rates</u>	<u>Company</u>	<u>Revised Staff</u>
5/8" x 3/4" Meter	\$35.00	\$60.84	\$60.84
3/4" Meter	52.50	52.50	52.50
1" Meter	87.50	87.50	87.50
1 1/2" Meter	175.00	175.00	175.00
2" Meter	280.00	280.00	280.00
3" Meter	560.00	560.00	560.00
4" Meter	875.00	875.00	875.00
6" Meter	1,750.00	1,750.00	1,750.00
<u>WIFA LOAN SURCHARGE:</u>			
5/8" x 3/4" Meter	\$25.84	N/A	N/A
3/4" Meter	38.76	N/A	N/A
1" Meter	64.60	N/A	N/A
1 1/2" Meter	129.21	N/A	N/A
2" Meter	206.73	N/A	N/A
3" Meter	413.46	N/A	N/A
4" Meter	646.04	N/A	N/A
6" Meter	1,292.07	N/A	N/A

COMMODITY CHARGE: (Per 1,000 Gallons, All Classes)

5/8" x 3/4" Meter

0 – 3,000 gallons	\$2.70	\$2.70	\$2.70
3,001 – 8,000 gallons	4.50	4.50	4.50
Over 8,000 gallons	5.40	5.40	5.40

3/4" Meter

0 – 3,000 gallons	2.70	2.70	\$2.70
3,001 – 8,000 gallons	4.50	4.50	4.50
Over 8,000 gallons	5.40	5.40	5.40

1" Meter

0 – 10,000 gallons	4.50	4.50	4.50
Over 10,000 gallons	5.40	5.40	5.40

1-1/2" Meter

0 – 20,000 gallons	4.50	4.50	4.50
Over 20,000 gallons	5.40	5.40	5.40

2" Meter

0 – 40,000 gallons	4.50	4.50	4.50
Over 40,000 gallons	5.40	5.40	5.40

3" Meter

0 – 144,000 gallons	4.50	4.50	4.50
Over 144,000 gallons	5.40	5.40	5.40

4" Meter

0 – 225,000 gallons	4.50	4.50	4.50
Over 225,000 gallons	5.40	5.40	5.40

6" Meter

0 – 450,000 gallons	4.50	4.50	4.50
Over 450,000 gallons	5.40	5.40	5.40

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Current Charges</u>	<u>Company's Proposed Charges</u>	<u>Staff Recommended Service Line Charges</u>	<u>Staff Recommended Meter Installation Charges</u>	<u>Staff Recommended Total Charges</u>
5/8" x 3/4" Meter	\$520.00	\$520.00	\$415.00	\$105.00	\$520.00
3/4" Meter	620.00	620.00	415.00	205.00	620.00
1" Meter	780.00	780.00	480.00	300.00	780.00
1-1/2" Meter	1,050.00	1,050.00	550.00	500.00	1,050.00
2" Turbine Meter	Cost	Cost	Cost	Cost	Cost
2" Compound Meter	Cost	Cost	Cost	Cost	Cost
3" Turbine Meter	Cost	Cost	Cost	Cost	Cost
3" Compound Meter	Cost	Cost	Cost	Cost	Cost
4" Turbine Meter	Cost	Cost	Cost	Cost	Cost
4" Compound Meter	Cost	Cost	Cost	Cost	Cost
6" Turbine Meter	Cost	Cost	Cost	Cost	Cost
6" Compound Meter	Cost	Cost	Cost	Cost	Cost

<u>SERVICE CHARGE:</u>	<u>Present Rates</u>	<u>Proposed Rates Company</u>	<u>Staff</u>
Establishment	\$30.00	\$35.00	\$35.00
Reconnection (Delinquent)	30.00	35.00	35.00
After Hours Service Charge	10.00	15.00	25.00
Meter Test (If Correct)	30.00	35.00	30.00
Meter Reread (If Correct)	15.00	15.00	15.00
NSF Check	20.00	20.00	20.00
Deposit	*	*	*
Deposit Interest	*	2.00%	2.00%
Reestablishment (Within 12 Months)	**	**	**
Deferred Payment (Per Month)	1.50%	1.50%	1.50%
Late Payment Charge (Per Month)	***	***	***

MONTHLY SERVICE CHARGE FOR FIRE SPRINKER

4" or Smaller	\$0.00	\$0.00	****
6"	0.00	0.00	****
8"	0.00	0.00	****
10"	0.00	0.00	****
Larger than 10"	0.00	0.00	****

* Per Commission rule (R14-2-403.B).

** Months off system times the monthly minimum (R14-2-403.D).

*** 1.5% on the unpaid balance per month.

**** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

18. Staff determined Parker's original cost rate base ("OCRB") to be \$234,821, which is the same as its fair value rate base ("FVRB"). This is a \$2,702 increase to Parker's proposed OCRB of \$232,119, due to Staff's adjustments to plant-in-service, accumulated depreciation, advances in aid of construction ("AIAC"), and cash working capital.

19. Parker objected to Staff's adjustments to plant-in-service, accumulated depreciation, and AIAC. The Company believed Staff's adjustment to wells and springs should have been categorized as an outside services expense. Parker also asserted that Staff's amounts for accumulated depreciation and AIAC were incorrect.

20. In Staff's reply, Staff explained that a \$1,102.25 well control receiver claimed by the Company as an outside services expense is part of the well system and is properly considered as plant. In addition, the accumulated depreciation and the AIAC adjustments claimed by Staff were based on NARUC standards and the AIAC amounts stated in the prior rate case.

21. We find that Staff's adjustments to OCRB are reasonable and we adopt them.

1 22. Staff's recommended OCRB of \$234,821 is reasonable and we adopt it.

2 23. Staff agrees with Parker's proposed test year operating revenues of \$27,179.

3 24. Staff made several adjustments to Parker's proposed test year operating expenses,
4 resulting in a \$740 decrease, from \$19,680 to \$18,940, due to Staff's adjustments to outside services,
5 water testing expense, depreciation expense, and property taxes. Parker objected to Staff's adjustments
6 to depreciation expense and property tax expense.

7 25. Staff explained that the Company used the incorrect depreciation rate for one of its
8 accounts. Staff also noted that Parker did not use the modified version of the Arizona Department of
9 Revenue's property tax method when calculating its property tax expense.

10 26. We find that Staff's adjustments to operating expenses are reasonable and we adopt
11 them.

12 27. Based on Staff's analysis, Parker's present water rates and charges produced operating
13 revenues of \$27,179 and adjusted operating expenses of \$18,940, resulting in an adjusted operating
14 income of \$8,239, for a rate of return of 3.51 percent and a cash flow of \$463.

15 28. Parker stated that it does not seek a revenue increase at this time.

16 29. In Staff's original findings, Staff calculated Parker's debt service coverage ratio
17 ("DSC") at only .97; however, WIFA requires a company to maintain a DSC of 1.25.² Staff concluded
18 that Parker was not currently in compliance with WIFA requirements. Subsequently, Staff reviewed
19 its DSC calculations and found an inadvertent error had resulted in an incorrect DSC calculation. Staff
20 found that based on the Company's present rates, Parker's DSC is 1.29. Accordingly, Staff concluded
21 that Parker's current rates are sufficient to meet the Company's WIFA obligations and Staff does not
22 recommend an increase in rates at this time.

23 30. Staff recommends that the WIFA Loan Surcharge be discontinued and included in base
24 rates.

25 31. With the inclusion of the WIFA Loan Surcharge in base rates, the average monthly 5/8
26 x 3/4-inch meter water bill would be \$62.45, and the median monthly 5/8 x 3/4-inch meter water bill

27 _____
28 ² DSC represents the number of times internally generated cash covers required principal and interest payments on debt. A
DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations.

1 would be \$61.86.

2 32. We find that Staff's recommended revenues, rates and charges are reasonable and we
3 adopt them.

4 33. We also believe it is reasonable to authorize Parker to collect from its customers a
5 proportionate share of any privilege, sales or use tax as provided for in A.A.C. R14-2-409(D).

6 34. Staff recommends that Parker should file with Docket Control, as a compliance item in
7 this docket, a schedule of its approved rates and charges within 30 days after the effective date of this
8 Decision.

9 **Other Recommendations**

10 35. Staff also recommends that Parker be ordered to use the depreciation rates delineated in
11 Table F of the Engineering Report attached to the Staff Report.

12 36. Parker's water system consists of two wells with a combined production of
13 approximately 22 gallons per minute, two chlorination systems, one 10,000 gallon storage tank, and
14 the distribution system. Staff concluded that the Company has adequate production and storage
15 capacity to serve the present customer base and any reasonable growth

16 37. Staff noted that, in the past, Parker had experienced very high levels of water loss. After
17 the construction of the infrastructure approved in Decision No. 73638, the Company reported a water
18 loss of 13.95 percent. Staff observed that Parker continues to attempt to decrease its water loss by
19 checking for inaccurate meters, installing water meters on water mains to pin-point losses, and
20 replacing water mains as necessary.

21 38. Staff recommends that Parker continue to monitor and record monthly water losses and
22 repair all leaks when discovered.

23 39. Staff also recommends that Parker track, quantify, and record water consumed during
24 water main flushing and storage tank controlled overflows to account for the amount of water actually
25 used for "Authorized Unbilled Consumption" purposes.

26 40. Staff's recommendations are reasonable and we adopt them.

27 **Miscellaneous**

28 41. Staff noted that in an Arizona Department of Environmental Quality ("ADEQ")

1 compliance status report dated May 22, 2015, ADEQ stated that Parker is currently delivering water
2 that meets water quality standards required by 40 CFR 141 and A.A.C., Title 18, Chapter 4.

3 42. Parker is not within an Arizona Department of Water Resources ("ADWR") active
4 management area ("AMA"), and is not subject to the AMA monitoring and reporting requirements, nor
5 is it regulated by ADWR.

6 43. Staff reported that there were no customer complaints filed against Parker from January
7 1, 2012, through July 8, 2015.

8 44. According to Staff, Parker is in compliance with Commission filing requirements and
9 is in good standing with the Corporations Division.

10 45. Parker has Commission-approved Backflow Prevention and Curtailment Tariffs.

11 46. Parker is current on its property and Transaction Privilege Tax obligations.

12 47. In Decision No. 72638, the Commission directed Parker to file annually, as part of its
13 Utilities Annual Report, an affidavit attesting that the Company is current in paying its property taxes
14 in Arizona. We believe it is reasonable to require Parker to continue to do so.

15 **CONCLUSIONS OF LAW**

16 1. Parker is a public service corporation within the meaning of Article XV of the Arizona
17 Constitution and A.R.S. §§ 40-250, 40-251.

18 2. The Commission has jurisdiction over Parker and the subject matter of the Application.

19 3. Notice of the Application was given in accordance with Arizona law.

20 4. The rates and charges authorized herein are just and reasonable and should be approved
21 without a hearing.

22 5. Staff's recommendations are reasonable and shall be adopted.

23 **ORDER**

24 IT IS THEREFORE ORDERED that Parker Lakeview Estates Homeowners Association, Inc.
25 d/b/a Parker Springs Water Company is hereby directed to file with Docket Control, no later than
26 January 29, 2016, as a compliance item in this docket, revised rate schedules setting forth the following
27 rates and charges:

28 ...

MONTHLY USAGE CHARGE:

5/8" x 3/4" Meter	\$60.84
3/4" Meter	52.50
1" Meter	87.50
1 1/2" Meter	175.00
2" Meter	280.00
3" Meter	560.00
4" Meter	875.00
6" Meter	1,750.00

COMMODITY CHARGE:

(Per 1,000 Gallons)

5/8" x 3/4" Meter	
0 - 3,000 gallons	\$2.70
3,001 - 8,000 gallons	4.50
Over 8,000 gallons	5.40

3/4" Meter	
0 - 3,000 gallons	\$2.70
3,001 - 8,000 gallons	4.50
Over 8,000 gallons	5.40

1" Meter	
0 - 10,000 gallons	4.50
Over 10,000 gallons	5.40

1-1/2" Meter	
0 - 20,000 gallons	4.50
Over 20,000 gallons	5.40

2" Meter	
0 - 40,000 gallons	4.50
Over 40,000 gallons	5.40

3" Meter	
0 - 144,000 gallons	4.50
Over 144,000 gallons	5.40

4" Meter	
0 - 225,000 gallons	4.50
Over 225,000 gallons	5.40

6" Meter	
0 - 450,000 gallons	4.50
Over 450,000 gallons	5.40

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...

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

	<u>Service Line Charges</u>	<u>Meter Installation Charges</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$415.00	\$105.00	\$520.00
3/4" Meter	415.00	205.00	620.00
1" Meter	480.00	300.00	780.00
1-1/2" Meter	550.00	500.00	1,050.00
2" Turbine Meter	Cost	Cost	Cost
2" Compound Meter	Cost	Cost	Cost
3" Turbine Meter	Cost	Cost	Cost
3" Compound Meter	Cost	Cost	Cost
4" Turbine Meter	Cost	Cost	Cost
4" Compound Meter	Cost	Cost	Cost
6" Turbine Meter	Cost	Cost	Cost
6" Compound Meter	Cost	Cost	Cost

SERVICE CHARGE:

Establishment	\$35.00
Reconnection (Delinquent)	35.00
After Hours Service Charge	25.00
Meter Test (If Correct)	30.00
Meter Reread (If Correct)	15.00
NSF Check	20.00
Deposit	*
Deposit Interest	2.00%
Reestablishment (Within 12 Months)	**
Deferred Payment (Per Month)	1.50%
Late Payment Charge (Per Month)	***

MONTHLY SERVICE CHARGE FOR FIRE SPRINKER

4" or Smaller	****
6"	****
8"	****
10"	****
Larger than 10"	****

* Per Commission rule (R14-2-403.B).

** Months off system times the monthly minimum (R14-2-403.D).

*** 1.5% on the unpaid balance per month.

**** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that, in addition to collection of its regular rates and charges, Parker Lakeview Estates Homeowners Association, Inc. d/b/a Parker Springs Water Company shall collect from its customers a proportionate share of any privilege, sales or use tax per A.A.C. R14-2-409(D).

1 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service
2 provided on and after February 1, 2016.

3 IT IS FURTHER ORDERED that Parker Lakeview Estates Homeowners Association, Inc.
4 d/b/a Parker Springs Water Company shall notify its customers of the authorized rates and charges and
5 their effective date by means of an insert in its next regular scheduled billing, in a form acceptable to
6 Staff, and shall, within 10 days after the date notice is sent to its customers, file with the Commission's
7 Docket Control, as a compliance item in this docket, a copy of the notice provided.

8 IT IS FURTHER ORDERED that Parker Lakeview Estates Homeowners Association, Inc.
9 d/b/a Parker Springs Water Company shall use the depreciation rates as shown in Table F of the
10 Engineering Report attached to the Staff Report.

11 IT IS FURTHER ORDERED that Parker Lakeview Estates Homeowners Association, Inc.
12 d/b/a Parker Springs Water Company shall continue to monitor and record monthly water losses and
13 repair all leaks when discovered.

14 IT IS FURTHER ORDERED that Parker Lakeview Estates Homeowners Association, Inc.
15 d/b/a Parker Springs Water Company shall track, quantify, and record water consumed during water
16 main flushing and storage tank controlled overflows.

17 ...

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IT IS FURTHER ORDERED that Parker Lakeview Estates Homeowners Association, Inc. d/b/a Parker Springs Water Company shall continue to file annually, as part of its annual report, an affidavit with the Commission's Utilities Division attesting that it is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____ 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

BM:ru(tv)

1 SERVICE LIST FOR: PARKER LAKEVIEW ESTATES HOMEOWNERS ASSOCIATION,
INC. DBA PARKER SPRINGS WATER COMPANY

2 DOCKET NO.: W-01853A-15-0145

3
4 Gail Spain, Secretary/Treasurer
5 PARKER LAKEVIEW ESTATES
6 HOMEOWNERS ASSOCIATION, INC.
7 DBA PARKER SPRINGS WATER COMPANY
7947 South Coronado Trail
8 HC1 Box 474
9 Elgin, AZ 85611

10 Janice Alward, Chief Counsel
11 Legal Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, AZ 85007

15 Thomas M. Broderick, Director
16 Utilities Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, AZ 85007